

OCTOBER 1954

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COMPETITION IN NYLONS

For three miles of nylon yarn, most of it finer than the average human hair, go into a pair of high grade full-fashioned hosiery. The product is fine, competition is fierce, and profits are falling. In Pennsylvania find the going especially rough.

DEPARTMENT STORE SALES RELEASE

This report covers the Philadelphia Metropolitan Area and many of the other large retail centers in the Third District.

1954 — A PROBLEM YEAR FOR THIRD DISTRICT FARMERS

A mid-summer drought made the price-cost squeeze a little tighter. Early crops were disappointing, later ones are promising.

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COMPETITION IN NYLONS



If you think you are in a competitive business, look at the industry that makes nylons. Prices are low. Profits are low. The market is overloaded. Mills are closing down and companies are going out of business. Competition is really rough and rugged in nylons.

Competition is especially rough in Pennsylvania and other sections of the North. Only last April a Philadelphia firm that had been in business for over a half-century closed its doors for good. More than 700 workers were without jobs, and the machinery was sold. The story in the local press told about how the industry got started in Philadelphia in 1887; higher hem lines in the twenties ushered in fashionable hosiery of sheer construction; silk became the dominant fiber; the country's production of full-fashioned hose doubled between 1919 and 1925, and doubled again between 1925 and 1929; knitters made fabulous wages up to \$7,000 a year, became the aristocrats of labor, and some of them set up in business for themselves; mills in Philadelphia mushroomed to a peak of 81 in 1929; how the union flourished when the industry prospered.

The nostalgic news item went on to tell about the collapse in the thirties; the shift to the South where lower wages prevailed; unsuccessful efforts to unionize the South; the constant influx of bigger machines that produced more stockings of finer construction in less time; evils of the "stretch-out"; the second-hand machinery

plague; the curse of multiple-shift operations; glutted markets; evaporation of profits; wage cuts; strikes; arbitration machinery; and efforts to rescue the Northern branch of the industry.

Nylon, a man-made fiber derived from coal, gave the industry a lift. This synthetic wonder appeared in 1940 and was rapidly accepted. By the time we became involved in World War II, nylon was already a respectable competitor of silk. When the fighting started, Japanese silk imports were naturally cut off and in a short time the country's entire output of nylon was commandeered by the armed forces for parachutes and other military requirements. Throughout most of the war, women wore stockings made of rayon or combinations of rayon and cotton.

After the war the pent-up demand for nylon stockings broke out in long nylon queues at retail stores all over the country. Manufacturers hustled to meet the demand as fast as they could get nylon yarn. It took several years, but they were years of profits and prosperity. Silk never did stage a comeback. So thoroughly did nylon capture the market that products of the women's full-fashioned hosiery industry came to be known as "nylons."

DIMENSIONS OF THE INDUSTRY

The United States industry that makes nylons is a comparatively small member of the great textile family. On New Year's Day of this year there were exactly 683 companies operat-

ing 757 mills, not counting the small family shops. Anyone with courage and capital can buy some yarn, a second-hand machine, and go into business—but it isn't recommended. Atlantic City has a number of hotels that could easily accommodate all the manufacturers in annual convention. There are some college football stadiums large enough to accommodate all the workers in the industry—who averaged just a little short of 59,000 in 1953.

Using employment as a basis for comparison, the full-fashioned hosiery industry is about equal in size to the industry that makes railway equipment or farm tractors. It is larger than the cigarette or cement industries but ever so much smaller than the automobile industry, as you might suppose.

The full-fashioned hosiery industry in 1952 utilized about 250 million dollars' worth of nylon yarn, kilowatts, dyes, and other manufacturing essentials. By the application of a generous amount of work and worry, technically called "value added," it turned out \$550 million of nylons. Production was slightly over 50 million dozen pairs. An industry that produces over a half-billion dollars' worth of stuff may not strike you as small, but in manufacturing, as in almost everything else, all things are relative.

FROM NYLON TO NYLONS

With the aid of modern machinery, the making of nylons is a comparatively simple job as manufacturing operations go. In the knitting department of a large mill are rows of machines where miles of nylon yarn take on the preliminary shape of the final product.

Nylons with seams

A full-fashioned stocking is knitted flat starting at the top and ending with the toe. As the knit-

ting progresses, exact leg contours are automatically attained by needles periodically dropping out of play. Reinforcements are knitted into the foot by adding threads at the point of wear.

Seaming is the next major operation, where each flat-knit stocking is seamed up the back from toe to welt on a special high-speed sewing machine. After seaming come examination and finishing operations. One of the most important finishing operations is pre-boarding, where stockings are stretched over metal forms and given a pressurized steam treatment which permanently "freezes" the shape. Thereupon armfuls of stockings are tied in special cloth bags and dumped into revolving drums submerged in hot water for dyeing. The dye house is wet and sultry, as might be supposed, but the adjoining room where the dyes are mixed with mortar and pestle looks somewhat like, and has the neatness of, an apothecary's shop. The newly dyed stockings are again boarded for drying and smoothing, and after that come final inspection, matching for length, stamping, and boxing for market.

In every mill the knitting machine is the major piece of equipment. It is a 16-ton, precision machine with about 180,000 parts, capable of knitting 30 or 32 stockings simultaneously in about 35 minutes. At today's prices, one of these machines with modern attachments, like automatic welt turners and electronic controls, comes to about \$40,000 fully equipped. Since the average number of machines per mill is twelve, all-new equipment would require about a half-million dollars for knitting machinery alone.

Actually, an average mill might be hard to find. Mills range in size from one-machine family units to huge companies. The two largest

have 400 to 500 machines each. Nevertheless, the industry is essentially small-scale; no company produces as much as 10 per cent of the industry output. Concerns are generally integrated in the sense that they perform all of the operations from start to finish, though some of the smaller operators engage only in knitting. Their products—gray goods—go to commercial finishers or an integrated mill for dyeing and related finishing operations. Some manufacturers make branded merchandise only, others unbranded, and still others make both. It has been estimated that less than 30 per cent of women's full-fashioned hosiery sales consists of branded goods.

SHEER, SHEERER, SHEEREST

One way competition asserts itself is in the seemingly endless effort to produce finer stockings. Sheerness of the product depends upon the gauge of the machine and the denier of the yarn. The gauge is the number of needles per inch-and-a-half on the needle bar of the knitting machine. Since each needle produces a single loop in every row of knitting, the greater the number of needles the finer the cloth. Thus a 51-gauge stocking is sheerer than a 45-gauge.

In 1940, manufacturers were buying 51-gauge machines to replace their 45's and coarser gauges. By 1950, the progressive mills were replacing their 51- and coarser-gauge machinery with 60's. In 1953 the 66's were introduced, and now 72- and 75-gauge machines are being installed—the latter turn out the sheerest of the sheers. Most of the equipment comes from two Reading, Pennsylvania, knitting machinery companies, one of which is the world's largest.

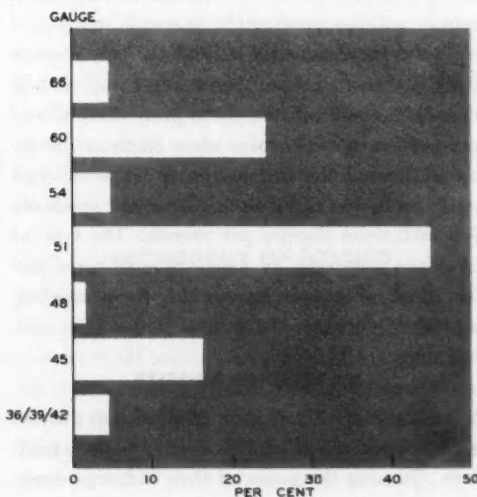
Along with the development of ever-finer gauge machinery has come ever-finer nylon yarn. Diameter of yarn is expressed by denier. It is a

unit of weight of a standard 450-meter skein; hence the lower the denier the finer the yarn. Only two years ago 15-denier was the sheerest. Today, manufacturers are interested in 10-denier nylon yarns to process on their new 72- and 75-gauge knitters. Over three miles of yarn—for the most part finer than the average human hair—go into a pair of 15-denier, 60-gauge full-fashioned hosiery that weighs less than half an ounce. Legs clad with such sheerness are clothed in next to nothing.

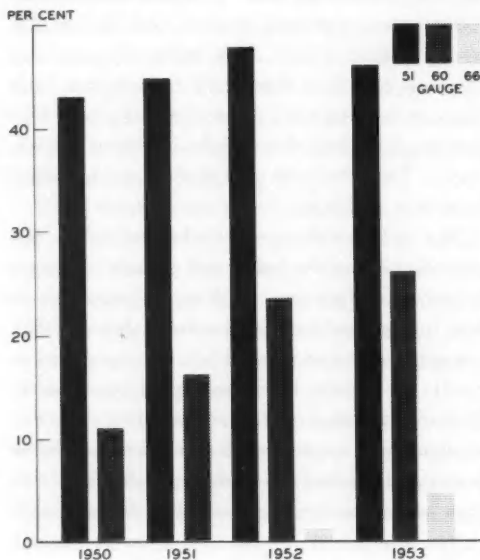
The style trend toward ever-finer hosiery apparently pleases the ladies and probably the machinery manufacturers, but it aggravates competition in the manufacture of nylons. It intensifies competition in two ways. First, the equipment is costly; so it takes big money to keep up to date. Second, the displaced machines that are not scrapped or exported are bought at second-hand prices and go back to work in the buyer's mill, thus adding to the total output of hosiery, and

FULL-FASHIONED KNITTING MACHINES

(Dec. 31, 1953)



TRENDS OF GAUGES EXPRESSED IN PER CENT OF MACHINE SECTIONS (1950-1953)



often at prices that undermine the market structure.

To be sure, there is a limit to how sheer a stocking can be made. According to opinion in the trade, the limit has about been reached and competition henceforth is more likely to be directed toward the installation of more efficient equipment—for example, higher-speed machines that knit more courses per minute. The type of machines according to gauge now in place and the trend of gauges appear in the preceeding charts.

VANISHING PROFITS

In recent years it has been increasingly difficult to make money in the full-fashioned hosiery business. Turning the pages of their ledgers, manu-

facturers have to go back to 1950 for the last good year. But even that year does not bring so much joy to their hearts as the plush years of 1946 through 1948 when nylons were sold as fast as they could be made to satisfy the big post-war demand.

Since 1950, profits have been shrinking almost steadily, according to reports of the companies that publish statements. According to one survey, profits expressed as a percentage of sales declined from about 8 per cent in 1950 to around 3 per cent last year. That was for the larger concerns—those with a net worth of a million or more. For the smaller companies the erosion was generally worse. The story on profits, expressed as a percentage of net worth, is much the same. Companies that made 9 to 14 per cent on their net worth four years ago did well if they made 4 per cent last year. During the past decade the large companies generally have done somewhat better than the smaller firms. This was also true last year, but the big companies surpassed their smaller competitors by only a very small margin, profit-wise.

FALLING PRICES

Price-wise, nylons are badly out of step with the times. While prices of apparel have held firm, prices of nylons have been falling—as shown in the chart. As of June 1954, the index of retail apparel prices was 4 per cent above the 1947-1949 base, but the wholesale price of nylons was 39 per cent below the base. There are indeed very few things that can be bought for so much less money today than six years ago.

The decline in wholesale prices is directly reflected in retail markets. This spring, 12-denier, 66-gauge stockings were sold retail at 89 cents a pair. The early-morning radio advertises bargains in 51-gauge, 15-denier nylons at 75 cents

a pair. Some food stores and drug stores use nylons with big mark-downs as a "come on" to bring customers into their stores.

For five years, price-cutting has plagued the industry. Contrary to popular belief, it is not only the small producers who cut prices in the hope of getting a bigger share of the market; some of the biggest producers are the biggest price cutters. Several years ago one of the trade associations sponsored a three-point plan to lift the industry out of the doldrums. The three planks in the program were: first, know your costs; second, don't sell without a profit; and, third, don't make anything you can't sell. It didn't work. Apparently each manufacturer expected the rest of the industry to adopt the plan.

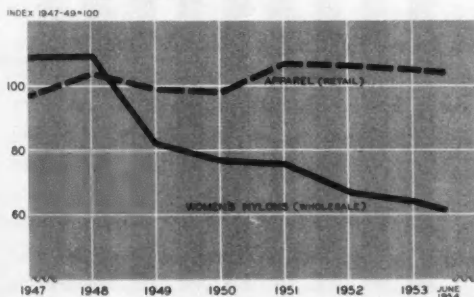
The major trouble is that there are too many nylons. The industry has about 58 million potential customers—the country's female population 15 years of age and over. Each year since 1950, nylon production has flowed at a fairly even keel of slightly over 50 million dozen pairs. Falling prices do not seem to discourage production, in accordance with the law of supply and demand.

Almost every year more mills come into the industry than go out. Last year and the year before were exceptions. In 1953, 45 new mills

entered and 87 left, for a net reduction of 42 mills; but the industry is still overcrowded. The operating concerns have 9,000 knitting machines in place, whereas 6,000 machines would be enough to turn out the industry's current volume of 50 million dozen pairs annually. Some of these machines are on the way out because they are too old and too low gauge.

Because of the human propensity for overestimating the chances of gain, there is a constant influx of new enterprises. Entrance into the industry has not been difficult despite the high cost of new knitting machines. Second-hand equipment is always available and one knitting machine is all that is necessary to get into the business. Moreover, the knit fabric can be sent to other companies for finishing. Because of their lower labor costs, family shops offer severe competition to the regular companies. Once in business, producers—whether large or small—eager to get the most out of their capital invested in machinery, operate on a two- or three-shift basis. That of course adds to the total output thrown on the market and depresses selling prices still more. Because of the large number of concerns in the industry and the absence of any one leader there is no such thing as price leadership or "friendly competition." The low cost of shipping in relation to the value of the product means that there are no areas in which competition is sheltered because of geographic isolation.

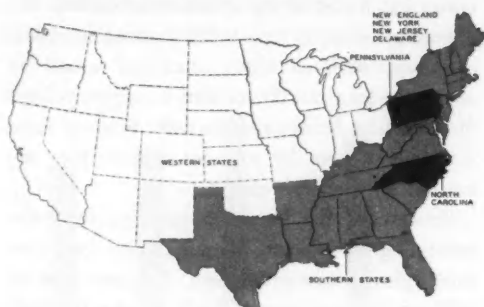
COMPARISON OF PRICES OF NYLONS AND APPAREL



GEOGRAPHY OF NYLONS

The country's full-fashioned hosiery mills are heavily concentrated in the Atlantic Seaboard and the Gulf states. Over half of the mills (56 per cent) are in the Northern states, about 38 per cent in the Southern states, and 6 per cent in the West—the regions being defined in the following map.

TERRITORIAL DIVISIONS OF THE UNITED STATES



Pennsylvania, formerly and for many years the leading producer, still has the greatest number of mills. At the outset of 1954, Pennsylvania had 44 per cent of the mills in the industry. An additional 12 per cent of the mills was scattered throughout New England, New York, and New Jersey. North Carolina has the largest concentration of mills in the South. At the beginning of this year, North Carolina had 19 per cent of the country's mills, and an additional 19 per cent was located in the other Southern states.

Though the North has most of the mills, the South has most of the machinery. In January 1954, the Southern states had about 54 per cent of the industry's full-fashioned knitting machines, in contrast with about 40 per cent in the North and 6 per cent in the West.

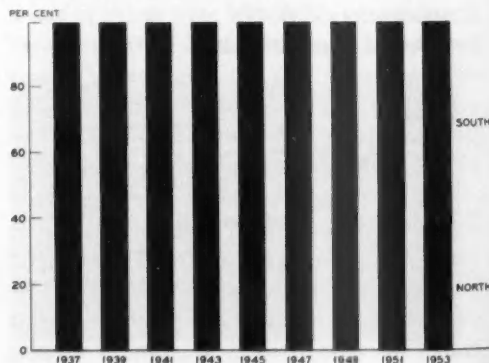
When it comes to production of full-fashioned hose, the contrast between the North and the South is even more pronounced. Southern mills accounted for 62 per cent of last year's output and Northern mills, 38 per cent. The changing relationship between the two major regions is shown in the accompanying chart. In 1937, Northern mills produced 70 per cent of the industry's output, and Southern mills 30 per cent. The relationship will soon be reversed if recent trends continue. The shift to the South has been particularly rough on

Pennsylvania. Since 1937, production in Pennsylvania has declined from 44 per cent to 27 per cent of the industry's annual output; in fact, it has been more than a relative decline. Last year's production in Pennsylvania was actually less than the 1937 output.

The shift to the South has been caused by a number of factors. As mentioned in the February *Business Review* article entitled "Textiles Are Slipping in Pennsylvania," many areas in the South offer such advantages as lower labor, power, taxes, and construction costs, along with special inducements on the part of some local communities to attract new industries into their area. It is difficult to pinpoint the relative importance of any of these factors, and of course they vary from one community to another.

Labor costs, no doubt, are one of the great attractions. The three principal elements of cost in operating a hosiery mill are materials, labor, and overhead. Nylon, the principal raw material, costs the same for all manufacturers, regardless of size or location. Labor is a big cost item, and prevailing differences between the North and South are still significant despite narrowing dif-

FULL-FASHIONED HOSIERY PRODUCTION
Per cent distribution between North and South



ferentials in basic wage rates as a result of the growing industrialization of the South.

Although average hourly earnings are almost as much in mills in the Southeast as those in the Middle Atlantic states, according to a recent survey, mills in the Southeast have a definite advantage when it comes to knitters—an occupation of great importance in terms of skill and number of workers. For years it has been the practice for an individual knitter to operate a single full-fashioned machine. Technological developments, however, have made these machines more automatic, and some employers consider it feasible for a knitter to operate two machines, usually with the aid of a helper. Mills in the North were a bit slow in adopting the two-machine system, owing in part to union opposition.

The South also has the advantage of more up-to-date plants and equipment. Of more recent construction, Southern mills are usually one-story, air-conditioned plants, specifically designed to produce hosiery. They stand out quite in contrast with the older mill-type multi-story plants in the North.

In four of the past five years the installation of new machines in Pennsylvania lagged behind North Carolina and other Southern states. Since the South has been getting more of the longer-section, higher-gauge, faster-operating, and more automatic knitting machines the effect on labor costs is obvious. In 1953, however, Pennsylvania replaced North Carolina as the recipient of the greatest number of new machines. Whether this is the beginning of a new trend or merely a temporary interruption of an old trend we do not know.

NYLONS WITHOUT SEAMS

Competition in the women's full-fashioned hosiery industry is intensified by the growing popularity

of seamless nylons. The distinguishing characteristic of seamless nylons is, of course, the absence of a seam up the back of the stocking. The stockings are made in tubular form on a special machine equipped with a circular needle bar. The number of loops in a stocking is determined by the number of needles in the cylinder of the machine. Most of the machines now in use have 400 needles on the $3\frac{3}{4}$ inch cylinder, which means that it will produce 400 loops in the circumference of a stocking throughout its entire length, which is about equivalent to the 51-gauge, full-fashioned machine. The 474-needle circular knitter is equivalent to a 60-gauge, full-fashioned machine.

A 400-needle circular machine costs in the neighborhood of \$3,000 and knits one stocking at a time. Operating 24 hours a day for 250 working days a year, the circular knitter will turn out about 1,000 dozen pairs of seamless hosiery. As in the full-fashioned division of the industry, most of the seamless hosiery machinery is made by one concern, but in this case located in New England.

Limited quantities of seamless nylons appeared on the market right after the close of World War II. For some years, consumer acceptance was somewhat hesitant but with successive improvements in quality and sheerness the hesitant demand suddenly caught fire.

Production of seamless nylons rose from 4.3 million dozen pairs in 1950 to 6.3 million dozen pairs in 1953, when one pair of seamless nylons was produced for every eight pairs of full-fashioned nylons. There are slightly over 6,000 seamless machines in place and they are kept running day and night—so great is the demand for seamless nylons. The only thing that prevents installation of more circular knitting machines is the inability to produce the machines fast enough. The leading machinery manufacturer is reported to be booked into 1957.

Seamless hosiery appeals to those who like the bare-leg effect and also those who go in for wide-open footwear. The absence of seams also appeals to those who find it a nuisance to keep seams straight. On the other hand, full-fashioned hosiery is said to have a slenderizing effect, and of course "full-fashioned" originally set the pace for high-style hosiery. Estimates as to how deep a dent seamless will make in the full-fashioned market range from 12 to 50 per cent. Many full-fashioned producers have installed circular knitting machinery to make both lines.

IN CONCLUSION

The story told at the outset about a Pennsylvania mill going out of business is, unfortunately, not an isolated case. There are others. The competitive pressure is still on. In the constant churning with new firms entering the industry and harassed manufacturers dropping by the wayside, Pennsylvania has steadily been losing out. Since Pennsylvania has been a union stronghold it is easy to blame the union for the decline of the

industry in this area. What about the non-union plants that are in trouble or have gone out of business or have moved out of the state? The union is trying to help mills in the North to stay in the competitive race by granting them the cancellation of the existing 10½-cent-per-hour, cost-of-living wage increase, doing away with the second week of vacation, eliminating most of the paid holidays, and also discontinuing the 4 per cent contribution formerly made by the employers to the pension fund.

The industry has gone through former periods of severe price competition and over-production, as veterans in the business well remember. The current stretch of stormy weather has been of unusually long duration, and the competitive scene is complicated by the advent of seamless hosiery. Seams or no seams, branded or unbranded, integrated or non-integrated, big mills or small, North or South, the things that count most are modern equipment and able management. Despite the severity of competition, it is possible to prosper. Some do.

A NEW DEPARTMENT STORE SALES RELEASE

Starting October 13, our weekly report on department-store sales in Philadelphia will cover the metropolitan area instead of just the center-city stores. Also, the weekly report is expanded to include the Lancaster, Reading, Scranton, Wilkes-Barre, and Wilmington areas for the first time.

For many years this Bank had been issuing a *weekly report* on department-store sales for the

district and center-city Philadelphia. This report gave an up-to-the-minute indication of trends in retail sales in the district and its largest commercial center. A much more complete breakdown of department-store sales in the district was provided in our *monthly report*. In the monthly breakdown, Philadelphia department-store sales were measured on a metropolitan or eight-county

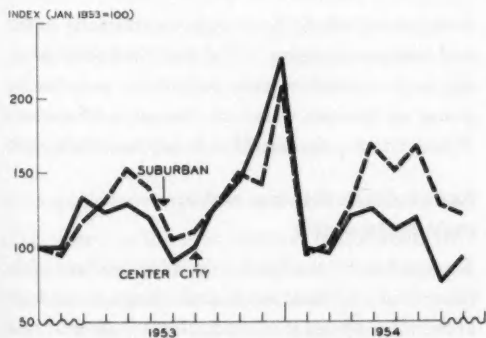
area basis. Also, department-store sales in seven other principal trade areas of the district were provided monthly.

Center-city and metropolitan-area Philadelphia

For some months everyone who watched Philadelphia department-store sales has realized that the weekly series (center-city stores) was lagging behind the monthly series (metropolitan area) mainly because of the growth in number and importance of suburban stores. Users of the data, however, frequently overlooked the distinction between the areas covered by the two reports and this resulted in misinterpretations. In addition, as the gap between the two series widened the value of center-city figures as a general business indicator was impaired.

The charts illustrate the different sales record of center-city and suburban stores. In the first chart, the solid line shows center-city department-store sales and the broken line, sales of suburban stores. Both lines are on an index with sales in January 1953, taken as 100. As can be seen, changes in 1953 were not too different.

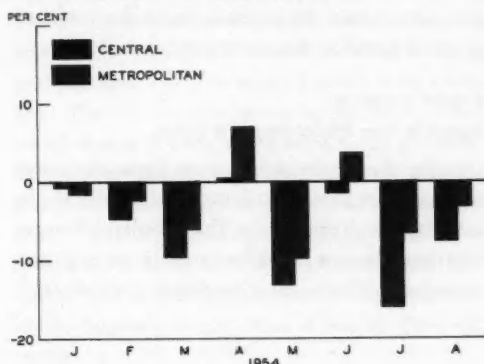
MONTHLY TRENDS IN DEPARTMENT STORE SALES (Philadelphia Area)



There did appear to be some tendency for center-city stores to make larger gains around the Easter and Christmas buying seasons and for suburban stores to show larger pluses in the off seasons. But generally the center-city sales' figures provided a fair gauge of retail trends in the whole Philadelphia area.

In 1954, however, all this has changed. Sub-

YEAR-AGO CHANGES IN SALES



urban department stores have usually gained faster than their mid-city counterparts. The gap between the lines in the first chart has widened considerably in 1954. This means that suburban stores monthly sales are outpacing sales in the center city, when the figures are put on an index. This is further illustrated in the second chart, which measures monthly sales in 1954 against sales in the same month a year ago. The black bars in this chart show changes in center-city department-store sales. The colored bars include sales of center-city and suburban stores in the eight-county Philadelphia area.

Since the early part of the year, sales in the eight-county area have held up much better than sales measured only at center-city stores, though both have generally run below a year ago. For

example, for the first eight months of 1954, sales at center-city stores were 7 per cent below year-ago levels. In the eight-county Philadelphia area, sales were just 2 per cent behind last year. When the gap between the weekly and monthly series became pronounced we began the task of expanding the weekly report to show the entire metropolitan area covered in the monthly report. With the cooperation of the stores in the area, we are now able to report weekly sales in the eight counties. Our center-city series is being discontinued to avoid possible misinterpretations in the future.

**Trade centers
outside the Philadelphia area**

Outside the Philadelphia area there are many retail centers that contribute substantially to the total trade activity of the Third Federal Reserve District. Because of differences in general economic conditions, merchandising policies, etc.,

department-store activity varies considerably in the separate centers.

For many years our monthly department-store report has included separate figures for several of the larger metropolitan areas in the district. A major feature of the present revision of the weekly release is the expansion of local information to include six of the major areas in the district. All of the stores in these areas that have provided us with monthly figures over the years have generously cooperated to make this improvement in the weekly report possible.

Analysts who in the past have noted monthly changes in sales by local areas may be surprised by the size of some of the weekly percentage changes. Year-ago changes on a weekly basis are apt to fluctuate rather widely, and too much significance may easily be attached to a weekly change that may "wash out" over the course of a month.

1954—A PROBLEM YEAR FOR THIRD DISTRICT FARMERS

Farming, just like other business enterprises, has its good years and its "off" years. Looking back over the main production season in the Third Federal Reserve District it appears certain that 1954 will not be rated a banner year for agriculture. Nor could it rightly be remembered as ranking among the poorest seasons experienced in this area. County agricultural agents and representatives of the extension services have indicated that the past season presented somewhat more than the usual number of problems. Many of the prob-

lems were attributable directly or indirectly to the mid-summer drought. All of them had some bearing on farm cash income, and on the purchasing power of farmers in the tri-state area of eastern Pennsylvania, southern New Jersey, and Delaware.

**Farmers' purchasing power
may be lowered**

We won't know the final score in agriculture until the season's harvests are in and a large percentage of them have been marketed. But it is clear at this

point that factors affecting purchasing power in this sector of the local economy have been less favorable this year than last. Farm cash income in the three states included in this district was running about 7 per cent below 1953 levels at mid-year. Since then growing conditions for many crops have been far from ideal. Drought damage was incurred at the very peak of the growing season. It was severe in some areas but not of the disastrous proportions predicted by some observers. Nevertheless, it did have a two-way impact on our farm economy. Income from marketings was reduced further because of smaller volume and lowered quality, and production costs climbed when the failure of pastures necessitated heavy supplementary feeding of livestock.

Erratic growing season created problems in the early markets

Drought damage and subsequent losses centered largely in the southeastern counties of this district. Early corn and potatoes both were short crops, so receipts from marketings were smaller than usual. Some crops, like early peaches, ripened prematurely. Consequently, market offerings at the start of the season became too heavy and prices weakened. Vegetables for processing fared somewhat better than those produced for the fresh market. Contract prices for tomatoes, beans, and other processing crops were about the same as prevailed in 1953; but in many cases quality was off. Thus a smaller percentage of these vegetables qualified for the top market grade and the prices that go with a "U.S. No. 1" rating.

Livestock farmers have their troubles, too

This year it is the feed situation that bothers livestock men more than anything else. For dairymen, markets have been steady and prices mostly firm. So the milk check has come through fairly

well. And, market-wise, there are fewer complaints from those who fatten cattle or raise breeding stock. Prices received have not brought resounding cheers nor have they shown anything like the declines of early 1953. But when dairy men and cattle men alike have to dig into winter feed supplies in mid-summer there is plenty of cause for concern.

These rations must be replaced from the current season's harvests or purchased in the market. In all but our northern tier counties early cuttings of hay made a mighty lean crop from which to build new supplies. Corn for silage is going to be scarce too. The late crop is maturing on short stalks, which means it takes more acres to fill the silos. Mixed dairy feed, always an important expense item, has risen in price in some areas over the past year. Thus, with home-grown feeds likely to be considerably short of winter requirements, purchased feed will be a somewhat heavier cost item in the farmer's budget than it was in the 1953 season.

The poultrymen's problem is over-production

Last year was fine for those in the poultry business. Broilers were in good demand. So were eggs. Poultrymen, encouraged by the prices they received, built up flocks of both broilers and layers in expectation of an even better season in 1954. But since early summer, broiler markets in New York City and elsewhere have been receiving just too many dressed chickens. Broilers have come from local producers and from competitors as far away as Arkansas and Georgia. No one knows for sure just what happened to the egg market. It has shown some seasonal improvement lately and may strengthen further as many farmers are cutting flocks more severely than they did last year.

Feed costs for poultrymen are their big expense

item. Much of the poultry ration is purchased feed which has remained high in price. Last year, broilers, for example, hit 27 cents a pound in the New York market. This past summer, prices received dropped to 17 cents, so that the dressed birds did not cover feeding costs. Prices of poultry feeds are expected to decline when the new supplies come in around the year-end. So the poultrymen may get some relief on this score. Real improvement in poultry markets, however, is not looked for in the near future.

Late harvests are much more promising

The rains that came in August and September were most welcome, although they were a mixed blessing. Because of frequent heavy downpours, fall plowing, seeding, and other seasonal operations were delayed and some late cuttings of hay were hard to cure. But for crops like tobacco, fall apples, and late potatoes the beneficial effects of the rains far exceeded any expectations. Late field corn escaped permanent damage. And even some pastures revived sufficiently to furnish fair grazing for livestock, thus relieving some of the pressure on the feed situation.

Pennsylvania tobacco will make a fine crop

Some observers claim they have never seen a more rapid recovery in the tobacco crop. By September the estimated yield was up nearly 15 per cent from a month earlier to 42 million pounds, and this year's harvest promises to exceed the 1953 short crop by approximately 20 per cent. The quality of Lancaster County tobacco also has improved substantially in the past two months. This suggests a fair price for the crop. Last year the average price was 32 cents a pound, and the crop moved out unusually early—during late October and November. This year, growers look for little

change in prices but they expect the crop to be marketed somewhat later.

Fruit growers also are encouraged

In Franklin County the harvest of fall apples may be the largest in several years. Growers in Adams County, too, are optimistic concerning their prospects. The marketing outlook is said to be excellent. This judgment appears to be based largely on a low carry-over of sauce, butter, and other apple products. Processing plants in the course of restocking are expected to keep down the size of the apple pack for the fresh market. This will help to maintain prices for the higher-quality fruit sold in packaged form. Even so, this year's large crop of fall apples could create somewhat of a storage problem for growers.

There is much promise in late potatoes, too

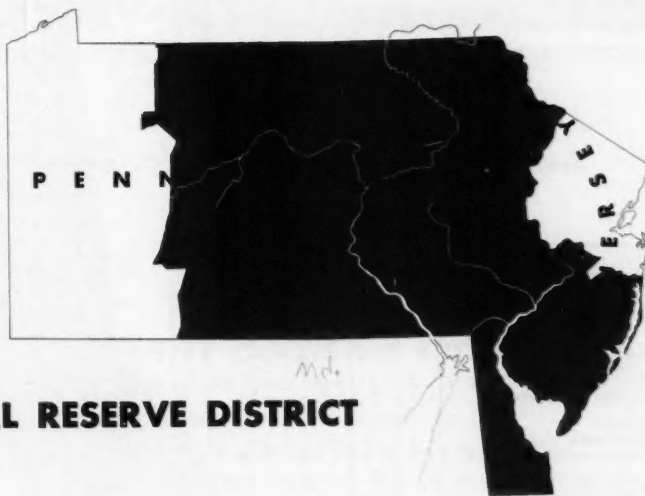
In Lehigh County, where potatoes are an important source of income, late varieties may help farmers recover some of the losses experienced in marketing their early crop. Estimated yields have risen considerably in recent weeks, quality has improved, and marketing prospects are much better than during the summer. In fact, all Pennsylvania potatoes may experience less competition this fall. Current reports indicate that Maine potatoes have suffered considerable blight damage, so that the crop will be smaller and of lower quality. Southern potatoes and much of the Long Island crop have moved out early this year. In local markets, prices have risen and are expected to remain firm over the remainder of the season.

Summary

As it appears now, 1954 must be rated as an "off" year for many Third District farmers. The price-cost squeeze became a little tighter because

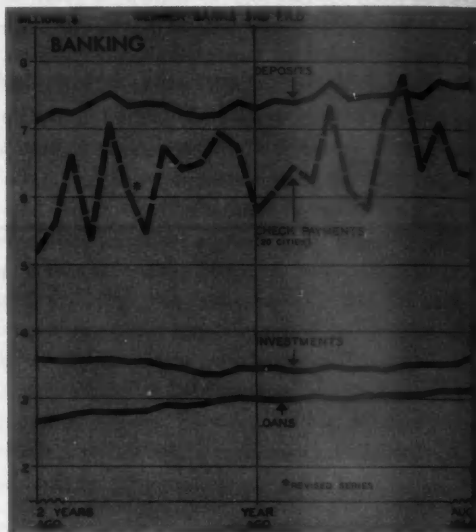
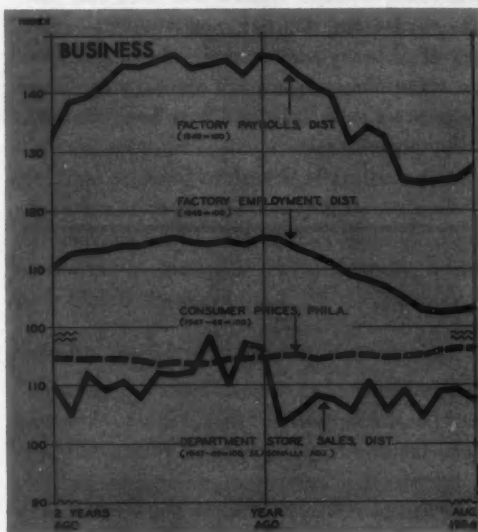
receipts from marketings declined over much of the season, while production costs remained high or even increased for those with livestock to feed. Poultrymen may have been hurt most, and there is a strong possibility of flocks being reduced by early next year. Dairymen and other livestock

farmers experienced markets that were just "so-so"—not too bad, but not good enough to offset the cost of heavy supplementary feeding. Those who raise tobacco, grow fall apples, or produce late potatoes very likely will have fared the best of all this past season.



THIRD FEDERAL RESERVE DISTRICT

FOR THE RECORD...



SUMMARY	Third Federal Reserve District		United States			
	Per cent change		Per cent change			
	August 1954 from		August 1954 from		August 1954 from	
	mo. ago	year ago	mo. ago	year ago	mo. ago	year ago
OUTPUT						
Manufacturing production...	+2	-14	-14	+8	-8	-9
Construction contracts*	-5	+36	+19	+2	+6	+13
Coal mining...	+32	-19	-22	+18	-21	-18
EMPLOYMENT AND INCOME						
Factory employment (Total)...	0	-11	-8	+2	-9	-7
Factory wage income...	+2	-13	-12			
TRADE**						
Department store sales...	-2	-8	-5	+1	0	-3
Department store stocks...	-1	-6		0	-5	
BANKING (All member banks)						
Deposits...	0	+5	+3	+1	+4	+4
Loans...	0	+4	+5	-1	+0	+5
Investments...	+3	+5	+1	+4	+9	+5
U.S. Govt. securities...	+3	+3	0	+5	+9	+5
Other...	+1	+12	+5	+1	+8	+6
Check payments...	-1†	+9†	+5†	-2	+13	+8
PRICES						
Wholesale...				0	0	+1
Consumer...	0†	+1†	+1†	0	0	+1

*Based on 3-month moving averages.

**Adjusted for seasonal variation.

†20 Cities
‡Philadelphia

LOCAL CHANGES	Factory*				Department Store				Check Payments	
	Employment		Payrolls		Sales		Stocks			
	Per cent change August 1954 from		Per cent change August 1954 from		Per cent change August 1954 from		Per cent change August 1954 from		Per cent change August 1954 from	
	mo. ago	year ago	mo. ago	year ago	mo. ago	year ago	mo. ago	year ago	mo. ago	year ago
Allentown...	0	-12	+1	-18					-2	-1
Harrisburg...	+1	-15	-3	-21					+3	+6
Lancaster...	+1	-6	+2	-5	-4	-9	+3	+4	-4	+3
Philadelphia...	0	-11	+1	-11	+13	-3	+7	-6	-3	+10
Reading.....	0	-11	-2	-15	-4	-14	+8	-5	+3	+9
Scranton.....	+2	-6	+3	-6	+15	-7	+7	+8	+1	-1
Trenton.....	-1	-13	-1	-12	-1	-1	-1	-16	+11	+35
Wilkes-Barre	+3	-9	+9	-9	+12	-17	+8	-14	+8	+1
Wilmington...	+2	-12	-2	-9	+5	+5	+6	-2	+4	+10
York.....	+3	-8	+5	-10	+8	-11	+1	-6	-1	-10

*Not restricted to corporate limits of cities but covers areas of one or more counties.

